

## Packers and Stockyards Programs

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*Promoting a fair and competitive  
marketing environment for  
livestock, meat, and poultry through  
enforcement of the Packers and Stockyards Act.*

- *Competition*
- *Trade Practices*
- *Financial Protection*



## FY 2001 Highlights

### Overview of Livestock, Meatpacking, and Poultry Industries

The following table provides an overview of the livestock, meatpacking, and poultry industries during FY 2001 and GIPSA's involvement in

Fiscal Year 2001	
Investigations	1,619
Market Agencies/Dealers Registered	6,241
Stockyards Posted	1,525
Slaughtering and Processing Packers Subject to the P&S Act (estimated)	6,000
Poultry Operations Subject to the P&S Act	205

Firms subject to the P&S Act generated \$125 billion worth of wholesale livestock, meat, and poultry products in FY 2001.

### Annual Assessment

GIPSA prepared a report entitled "Assessment of the Cattle and Hog Industries, Calendar Year 2000." The report describes the general economic state of the cattle and hog industries during calendar year 2000, changing business practices in those industries, and activities that appear to raise concerns under the P&S Act. The Grain Standards and Warehouse Improvement Act of 2000 (P.L. No. 106-472), enacted on November 9, 2000, amended the P&S Act and required the assessment report.

The assessment found that substantial changes in the structure and behavior of firms in the livestock and meatpacking industries are driven by technological developments, changes in consumer demand, and competitive forces. Many of the changes may benefit the industries involved, consumers, and the Nation as a whole. However, the changes also bring the potential for anticompetitive behavior or unfair trade practices that are unlawful under the P&S Act.

GIPSA will address the concerns discussed in the report by monitoring changes in industry structure and behavior, and examining practices that appear unlawful under the P&S Act. In addition to monitoring, GIPSA's actions may include formal investigations, regulatory initiatives, or research and other analyses to assess the economic, competitive, and trade practice implications of the structural and behavioral changes.

### Statistical Report

GIPSA prepared a statistical report on the meatpacking industry covering reporting year 1999. The report provides for data on industry concentration, plant size, packer financial performance, and number of animals purchased by source of supply (public market versus direct). Most of the data are reported by type of animal and/or State or geographic region. The report includes data on slaughtering packers;

market agencies buying or selling livestock on commission, including auction markets and selling agencies at terminal stockyards; and livestock dealers buying and selling livestock for their own accounts.

The report shows that the number of meat packers reporting to GIPSA (those purchasing more than \$500,000 of livestock for slaughter per year) has fallen over time. In 1990, 497 firms operating 623 plants reported to GIPSA. In 1999, the number of reporting firms had fallen to 269, and the number of plants had fallen to 355. The following table shows this trend in more detail.

<b>Number of Reporting Packers, All Species</b>				
Year	Single-plant firms	Multi-Plant Firms	Total Firms	Total Plants
1990	448	49	497	623
1991	421	47	468	587
1992	379	58	437	566
1993	349	56	405	528
1994	315	57	372	499
1995	308	52	360	487
1996	305	43	348	478
1997	289	42	331	440
1998	247	32	279	367
1999	238	31	269	355

The report details packers' use of public and nonpublic markets. Public markets are terminals and auctions; nonpublic markets include all other sources of livestock. Overall, beef packers obtained 13 percent of slaughter cattle, and slightly over 3 percent of steers and heifers, in public markets. The majority of nonfed cattle (cows and bulls) were purchased in public markets. The four largest beef packers procured a smaller percentage of their slaughter requirements through public markets than any other group of purchasers. Use of public markets varies regionally. Packers did not buy any steers and heifers for slaughter in public markets in Texas and Oklahoma, while more than 70 percent were bought in public markets in the southern Atlantic coast States. Packers used nonpublic markets for the majority of their purchases of cows and bulls in the eastern North Central and South Central States, but public markets were used for the majority of purchases of cows and bulls in all other regions.

Hog packers use public markets even less than cattle packers do. The top 20 packers use public markets for a little less than 1 percent of their hog procurement and, overall, hog packers purchased about 3 percent of their

needs through public markets. There also is much less regional variation in use of public markets for hog procurement. Use of public markets ranged from less than 1 percent in the Southern Plains and Mountain States to about 15 percent in the northern Atlantic coast States.

<b>Packer Use of Terminal and Auction Markets, 1999</b>		
	Percent of Total Slaughter	
	<u>Cattle</u>	<u>Hogs</u>
4 largest packers	3.7	0.6
20 largest packers	8.2	0.7
All packers	13.0	3.1

The report provides details about livestock sold through public markets. Livestock sold through public markets may be used for slaughter, further feeding, dairy production, or other purposes. The total number of cattle and calves sold through public markets for all purposes declined from 42 million head in 1990 to 38 million head in 1998, then rose to 40 million in 1999. The number of hogs and pigs sold through public markets declined from about 19 million in 1990 to about 8 million in 1999. The total number of public markets (terminal and auction markets) in the United States declined from 1,618 in 1990 to 1,519 in 2000.

#### **Clear Title**

USDA has certified 19 State central filing systems as compliant with Section 1324 of the Food Security Act of 1985. Fifteen of those States received certification in 1986 and 1987. Minnesota received the most recent certification in 1993. States establish central filing systems to enable buyers to learn about lien notices against farm products.

#### **Concentration and Industry Structure**

Concentration in livestock slaughter has stabilized in recent years. For steers and heifers, four-firm concentration rose 32 percentage points from 1985 to 1994, and has since remained relatively stable at 82 percent. Four-firm concentration in slaughter hog procurement rose from 32 percent in 1985 to 55 percent in 1996, and has remained stable since then. Four-firm concentration in sheep and lamb slaughter rose rapidly in the mid-1980s, from 51 percent in 1985 to 77 percent in 1988, but has fallen over the last decade to 67 percent in 2000. The number of plants and number of head slaughtered by the top four firms, both in absolute number and as a percentage of total sheep and lamb slaughter, have fallen between 1988 and 2000. Four-firm concentration in broiler processing rose from 33 percent in 1985 to 49 percent in 2000.

Trends in four-firm concentration are shown in the following table.

# **Four-Firm Concentration in Meatpacking: Reporting Years 1980-2000**

Year	Cattle <sup>1</sup>	Steers and heifers	Cows and bulls	Hogs	Sheep and lambs
<u>Percent of total commercial slaughter</u>					
1980	28	36	10	34	56
1981	31	40	10	33	53
1982	32	41	9	36	44
1983	36	47	10	29	44
1984	37	50	11	35	49
1985	39	50	17	32	51
1986	42	55	18	33	54
1987	54	67	20	37	75
1988	57	70	18	34	77
1989	57	70	18	34	74
1990	59	72	20	40	70
1991	61	75	20	44	72
1992	64	78	24	44	71
1993	67	81	25	43	73
1994	69	82	25	45	73
1995	69	81	28	46	72
1996	66	79	29	55	73
1997	68	80	30	54	65
1998	70	80	33	56	68
1999	70	81	31	56	68
2000	69	82	32	56	67
<sup>1</sup> Includes steers, heifers, cows, and bulls. Note: Figures for years 1980-90 are based on firms' fiscal years as reported to GIPSA. Figures for 1991-2000 are based on calendar year federally inspected slaughter.					

## Investigations

GIPSA's Packers and Stockyards Programs includes Competition, Trade Practices, and Financial Protection units. In FY 2001, these units undertook 1,619 investigations, and closed 1,326. The individual breakdown of FY 2001 investigations closed, including those closed within 1 year.

Fiscal Year 2001 Total Number of Investigations: 1,619			
Unit:	Number Closed	Number Closed in 1 Year	Percent Closed in 1 Year
Competition	22	12	54.5
Financial	573	552	96.3
Trade Practice	731	722	98.8
Totals	1,326	1,286	97.0

## GAO Report

In August 1999, the Chairman of the Subcommittee on Administrative Oversight and the Courts, Senate Committee on the Judiciary, requested that the General Accounting Office (GAO) review USDA's efforts to implement the P&S Act due to concerns about the sufficiency of GIPSA's actions to protect competition in the livestock markets. On September 21, 2000, GAO issued report GAO/RCED-00-242 titled "Packers And Stockyards Programs: Actions Needed to Improve Investigations of Competitive Practices."

On November 9, 2000, Public Law 106-472 was signed into law requiring, pursuant to "Section 312. Improved Investigative and Enforcement Activities under the Packers and Stockyards Act of 1921," that GIPSA implement the recommendations contained in the GAO report no later than November 9, 2001; and that USDA submit to Congress a report describing the actions taken to respond to GAO's recommendations.

GAO's report recommended that USDA improve its capability to investigate allegations of anticompetitive practices by having integrated teams of attorneys and economists perform GIPSA's investigative work, improving the planning and review of these investigations by adopting methods and guidance similar to that of the Department of Justice (DOJ) and the Federal Trade Commission (FTC), and consulting with DOJ and FTC on the design of program improvements. GAO also recommended that USDA determine the number of attorneys needed for USDA's Office of the General Counsel (OGC) to participate in GIPSA's investigations. GAO further recommended that senior GIPSA and OGC officials review the progress of investigations at main decision points and provide feedback, guidance, and approval of investigations as they progress. To ensure that GIPSA's legal specialists are used effectively, GAO recommended that OGC attorneys provide them with leadership and supervision. To ensure that GIPSA has the required economic talent, GAO recommended that GIPSA consider modifying the grade structure for its economists. Finally, GAO recommended that GIPSA promote competition through information activities such as reporting publicly on

changing business practices in the cattle and hog industries and identifying market operations or activities that appear to raise concerns under the P&S Act. Overall, GIPSA concurred with the report's recommendations.

During FY 2001, GIPSA took appropriate measures to implement GAO's recommendations. The Agency developed and implemented a process for investigation planning, development, implementation, and review. These operating procedures will ensure that complex investigation plans are reviewed carefully by GIPSA headquarters and OGC. The investigation process also will enhance current informal teamwork between GIPSA and OGC during the early stages of complex investigations and ensure that all investigative, economic, and legal issues are considered carefully before initiating complex investigations. In establishing its process, GIPSA reviewed DOJ guidance for investigation development. FTC provided training on investigation and information collection procedures to GIPSA legal specialists and OGC attorneys. OGC added attorneys to its staff in FY 2001, increasing its resources to address GIPSA matters. GIPSA upgraded economist positions located in its headquarters staff and upgraded position announcements for field economists. OGC provided training to GIPSA legal specialists, and GIPSA appointed a supervisory legal specialist to serve as primary liaison with OGC. Finally, GIPSA issued its first annual assessment of the cattle and hog industries to report on changes in those industries.

GIPSA also has developed rapid response teams to address or investigate potential violations of the P&S Act. These teams were deployed to address several potentially serious situations across the Nation in FY 2001. During FY 2001, 94 GIPSA investigators conducted 51 rapid response investigations. These investigations not only found violations of the P&S Act, but also contributed to returning \$6.1 million to livestock producers and poultry growers.

#### **Technical Training in**

On October 24-26, 2000, P&SP conducted competition training sessions

Washington, D.C., for Agency economists and legal specialists, and attorneys from OGC. The training focused on conducting competition investigations using economic and econometric analyses. In January, February, and March 2001, GIPSA sponsored three week-long training sessions for its legal specialists which were provided by OGC attorneys, FTC officials, and GIPSA headquarters staff.

#### **Strengthened Investigations investi-**

GIPSA incorporated economic, statistical, and legal expertise into

gations at the field office level to increase the program's efficiency and effectiveness in investigating anticompetitive practices, and enforcing trade practice and payment protection provisions of the P&S Act. In FY 2001, P&S continued to recruit economists and legal specialists for its field staff, which now includes 17 economists and 5 legal specialists. GIPSA continues to seek additional funding to investigate competitive behavior in meat packing and address concerns in the poultry industry. The Agency has increased cross-utilization of its economists, legal



specialists, auditors, marketing specialists, and industrial specialists from headquarters and field locations to apply appropriate investigative and analytical skills to specific investigations.

**Status of Rulemakings  
and**

*Swine Contract Library Final Rule.* GIPSA is developing a final rule programs to implement the swine contract library that will provide summarized information on contract terms and monthly reports on the number of swine under contract.

*Non-Reporting of Price Proposed Rule.* GIPSA is reviewing the need for a regulation to address issues related to the non-reporting of price. During 2001, the USDA Agricultural Marketing Service implemented mandatory price reporting, which, among other things, requires large packers to report prices paid for livestock. Working with livestock producers, GIPSA will determine if packers are still requiring conditions or agreements for producers to not report or discuss prices paid for their livestock.

*Recordkeeping Proposed Rule.* GIPSA is developing a proposed rule to specify recordkeeping requirements for packers' procurement transactions.

*Forms and Information Collection.* During 2001, a review of forms and information collection requirements resulted in a revision of forms. GIPSA is developing instructions for all of the forms. When approved by the Office of Management and Budget, GIPSA will make the forms and instructions available on the Internet.

**Electronic Livestock  
Marketing**

GIPSA searches the Internet at regular intervals to identify individuals or firms that may be conducting business operations or auction sales of livestock subject to the P&S Act via Internet web sites. When a business site is found that is not registered, GIPSA contacts a responsible representative of the business. If the business operations are determined to be subject to the P&S Act, GIPSA pursues registration and bonding of the business. Often, web sites merely provide livestock sellers a location to offer their livestock for sale and are not operated subject to the P&S Act. On September 30, 2001, there were 7 firms registered and bonded to conduct business subject to the P&S Act on the Internet. GIPSA will continue to monitor Internet livestock procurement activity to ensure that subject entities are registered and bonded. Operations of subject Internet firms also will be monitored in an effort to promote a fair and competitive livestock marketing environment.

**Poultry Town Hall Meetings**

GIPSA held a series of poultry town hall-type meetings in FY 2001 to educate attendees about GIPSA's poultry activities, and specifically, about the feed weighing regulations that became effective in May 2000 and other actions under consideration by GIPSA. The meetings were used as a forum for GIPSA to learn more about the challenges facing today's poultry growers, and for growers and the industry at large to better understand GIPSA's programs. Meetings were held in: Moultrie, Georgia; Athens, Georgia; Hanceville, Alabama; Russellville, Arkansas; Morton, Mississippi; Dexter, Missouri; Fayetteville, North Carolina; and

Salisbury, Maryland.

**GIPSA Outreach**

GIPSA personnel regularly attend and participate in meetings of industry associations at the local, State, and national levels to remain abreast of problems and concerns in the livestock, meat, and poultry industries, and to promote a better understanding of the marketing options and constraints facing the industry. In FY 2001, GIPSA planned and participated in a series of poultry "town hall" meetings for poultry growers, integrators, and affiliated industries. Resident agents maintain open communications with State officials to discuss areas of mutual concern in areas of overlapping jurisdiction.

**Feed Mill Orientation  
calculation**

Feed mill orientations help ensure that feed weights used in the of producer/grower payment are accurate. GIPSA investigated the operations of 58 feed mills, representing 26 different poultry companies, during FY 2001 to determine compliance with feed weighing regulations recently promulgated. While primarily conducted to ensure accurate weighing, information gathered during these investigations will be used to plan investigations of suspected feed weighing violations. The information is also valuable in evaluating and investigating complaints received involving feed delivery or pickup.

**New Market Orientation  
soon**

GIPSA strives to meet with new auction market owners and managers after the operations begin under new ownership. These visits ensure that market operators understand their fiduciary responsibilities under the P&S Act, and that they are operating in compliance with the P&S Act and regulations. These visits in the early stages of a market's operations also provide important protection to livestock producers who rely on the market to be a competitive marketplace. In FY 2001, 23 new market orientations were conducted.

## **Competition**

### **Overview**

GIPSA continually monitors the livestock industry for anticompetitive practices that may violate the P&S Act through various investigative activities and other tools. To promote compliance with the P&S Act, GIPSA investigates potential anticompetitive practices. When violations are uncovered, GIPSA pursues appropriate enforcement actions. In addition, USDA, the DOJ, and the FTC have a memorandum of understanding to provide each other with assistance, support, and cooperation on matters of mutual interest. As requested, GIPSA provides information and expertise to assist those agencies in conducting investigations of antitrust matters involving the livestock, meat, and poultry industries. Finally, GIPSA engages in outreach activities to inform interested parties, particularly livestock and poultry producers and the regulated entities, of the Agency's enforcement efforts and to stimulate public dialogue on important competition issues.

### **Anticompetitive Arrangements**

GIPSA places a high priority on investigating emerging information received about the potential failure of livestock dealers, market agencies, or packers to compete for the purchase of livestock. During FY 2001, GIPSA conducted or initiated 52 investigations involving livestock dealers, market agencies, packer buyers, and slaughtering packers regarding potential anticompetitive practices in the purchase of livestock.

### **Captive Supply Study**

Conference report language accompanying the 2001 Agricultural Appropriations Bill directed the Secretary of Agriculture to conduct a comprehensive study and deliver a report on the issue of captive supply. In particular, the Secretary was directed to examine whether cattle procured pursuant to a captive supply arrangement by a packer's non-reporting subsidiary, affiliate and owners, officers, and employees are included in GIPSA's reporting of captive supply, and why GIPSA's captive supply percentage is frequently lower than the percentages reported by other entities. GIPSA is producing a comprehensive report that will identify reasons captive supply is both supported and opposed and will summarize research findings. The report also will provide perspective on other statistics characterized as captive supply and why these statistics differ from GIPSA's. The report will conclude with steps GIPSA is taking to improve its collection and reporting of slaughter purchase information. The report is expected to be published early in FY 2002.

## **Trade Practices**

### **Overview**

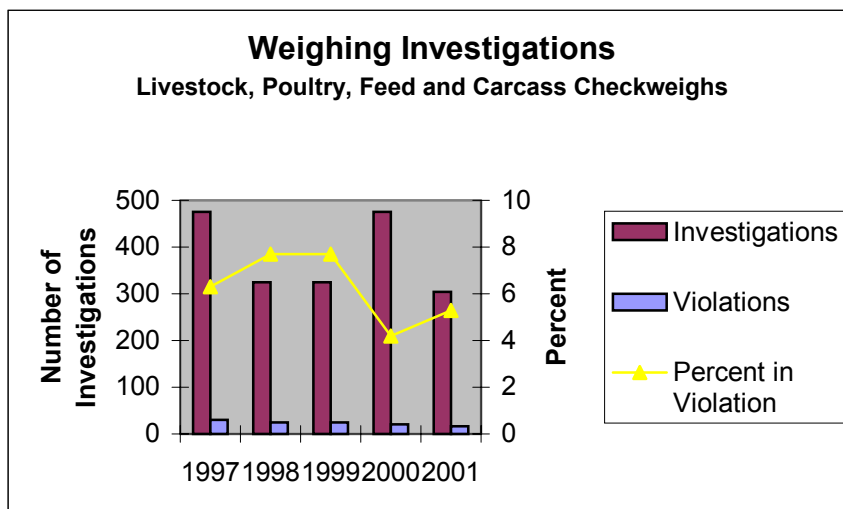
One of GIPSA's major objectives under the P&S Act is to maintain fair business practices in the marketing and procurement of livestock, meat, and poultry. To ensure fair business practices and determine if unfair or deceptive practices are occurring, GIPSA continually conducts trade practice investigations of auction markets, livestock dealers and order buyers, slaughtering packers, poultry processors and dealers, meat brokers, processors, and distributors.

### **Unfair Practices**

Some of GIPSA's unfair practices enforcement efforts in this area are directed at monitoring scale tests, and detecting improper and fraudulent use of scales. In most cases, the scales are tested by state and private testing agencies following standards developed in cooperation with the National Conference on Weights and Measures (NCWM). GIPSA conducts training schools for test agencies with NCWM National Training Program-certified instructors. Since 1988, 30 training schools provided technical instruction to 496 officials from 50 States and the Navajo Nation. Informal instruction is routinely provided upon request to State and private test agencies.

GIPSA analyzes test reports and periodically supervises scale tests to ensure that they accurately reflect the performance of the scales under normal use conditions. Of the scales tested during FY 2001, 91 percent complied with performance requirements. Equipment not found in compliance was adjusted, repaired, or replaced by private scale companies.

Check weighing investigations are a critical component of the program to assure accurate weights. In FY 2001, 304 check weighing investigations were conducted at livestock auction markets, dealer buying stations, meatpacking and poultry processing plants. Approximately 5.3 percent of the investigations disclosed false or incorrect weighing, which resulted in corrective action being taken.



### False Weighing

Under the P&S Act regulations require that livestock purchased on a weight basis be accurately weighed and that payment be made on accurate weight. False weights have an immediate and measurable impact on livestock producers' paychecks. During FY 2001, administrative complaints were issued against four entities for allegedly selling livestock to their customers at more than the true and correct weight.

### Contract Poultry Arrangements

During FY 2001, GIPSA investigated the operations of 71 live poultry dealers. Nearly 20 percent of these investigations were the result of complaints received from contract growers. GIPSA is currently investigating the various payment terms incorporated into poultry growing arrangements. These investigations are designed to determine whether the contract settlement terms of several live poultry dealers throughout the United States are deceptive or unfair to the growers who grow poultry under these agreements.

Continuing investigations of large tare weight variations have prompted procedural changes by several poultry firms to ensure accurate tare weights of poultry live haul vehicles. Weighing practices were investigated through unannounced check weighs at 104 poultry complexes in FY 2001.

### Livestock Marketing

Fraudulent transactions in the livestock, meat, and poultry industries are a major concern. Such transactions involve various types of fraudulent activity, including collusion between or among dealers, order buyers, market agencies, or packer employees engaging in payoffs and kickback schemes; weight and price manipulation, and misrepresentation of livestock's origin and health and defrauding purchasers of livestock by causing paper transactions in which the livestock purportedly changes ownership several times with markups in price and/or weight each time before sale to the ultimate buyer. These practices are among the most serious violations of the P&S Act and have the ultimate effect of lowering prices paid to the livestock producer or raising prices paid by

the consumer.

During FY 2001, GIPSA participated in a joint investigation with the Federal Bureau of Investigation (FBI). The investigation relates to a large ponzi cattle scheme that resulted in approximately \$200 million in losses to investors, banks, and others.

### **Livestock Procurement**

To determine if unfair or deceptive practices in violation of the P&S Act are occurring in the procurement of livestock, GIPSA continues to conduct livestock procurement investigations of slaughtering packers, dealers, and order buyers. These investigations include examining firms' entire operations for possible violations of the P&S Act, including price manipulation, weight manipulation of livestock or carcasses, manipulation of carcass grades, commercial bribery, misrepresentation of source, condition, or quality; and other unfair and deceptive practices. During FY 2001, GIPSA conducted 224 investigations of slaughtering packers, livestock dealers and order buyers.

### **Reparations**

Any person harmed when a market agency or dealer violates the P&S Act may file a reparation complaint seeking monetary damages. At the beginning of FY 2001, there were 18 docketed reparation complaints pending in which the complainants were seeking reparation in the amount of \$476,800. During FY 2001, 3 additional actions were docketed or re-opened in which the complainants were seeking reparation in the amount of \$71,572. One docket was closed, in which 1 complainant was awarded \$9,500. At the end of FY 2001, 17 dockets, in which complainants are seeking \$236,628 in reparations, were pending.

## **Financial Protection**

### **Getting Paid**

The financial integrity of market participants is essential for a stable and competitive market for livestock, poultry, and meat. Prompt and full payment for livestock and poultry purchases is a statutory requirement and is imperative for producers to maintain a production cycle necessary for a viable market.

Livestock buyers subject to the P&S Act are required to maintain a bond or bond equivalent to cover their livestock purchases. Livestock auction markets must establish and maintain a custodial (trust) account for payment to consignors. Packer and poultry trusts established by the P&S Act give livestock and poultry sellers first claim to trust assets in the event of nonpayment.

### **Financial Investigations Act**

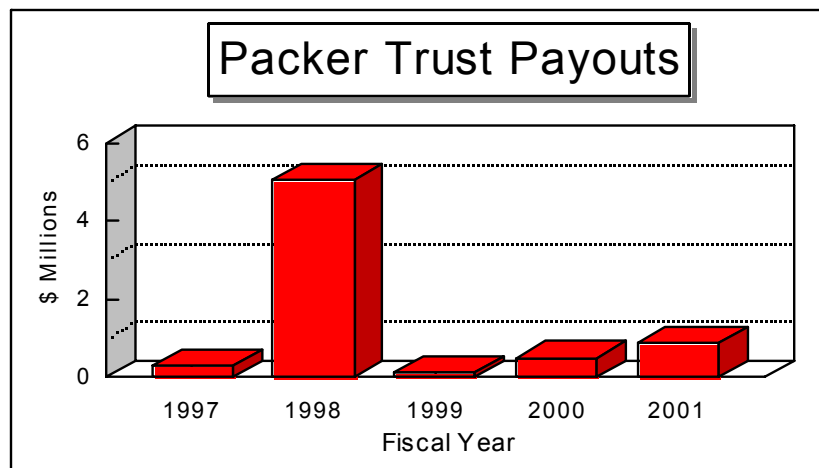
Payment protection for livestock sellers is an integral part of the P&S and extremely important to GIPSA. To ensure compliance with the financial and payment protection provisions of the Act, GIPSA routinely reviews financial reports, and conducts audits of payment practices and financial investigations.

Financial investigations during FY 2001 resulted in \$6.3 million being restored to custodial accounts established and maintained by livestock auction markets for the benefit of livestock sellers. Over \$844,000 was recovered by livestock sellers under the packer trust provisions of the Act.

Livestock dealers, market agencies, and packers are required to meet solvency requirements, a critical component of payment protection under the Act. During FY 2001, 47 insolvent dealers and market agencies corrected or reduced their insolvencies by \$2.8 million. Insolvent packers corrected or reduced their insolvencies by \$1.8 million.

### **Packer Trust**

Producers must receive timely and full payment for the livestock they market. Payment protection is provided through statutory provisions requiring full and prompt payment, packer bonding, and establishing packer trusts. Packers purchasing more than \$500,000 worth of livestock also must file annual reports of their operations with GIPSA and maintain a solvent financial condition. The prompt payment provision is a significant element of the financial protection afforded producers under the P&S Act, and an integral part of the packer trust which provides protection to producers who have not received payment by meat packers. Since the 1976 amendments to the P&S Act, livestock sellers have been paid \$55.1 million under the statutory trust provisions.

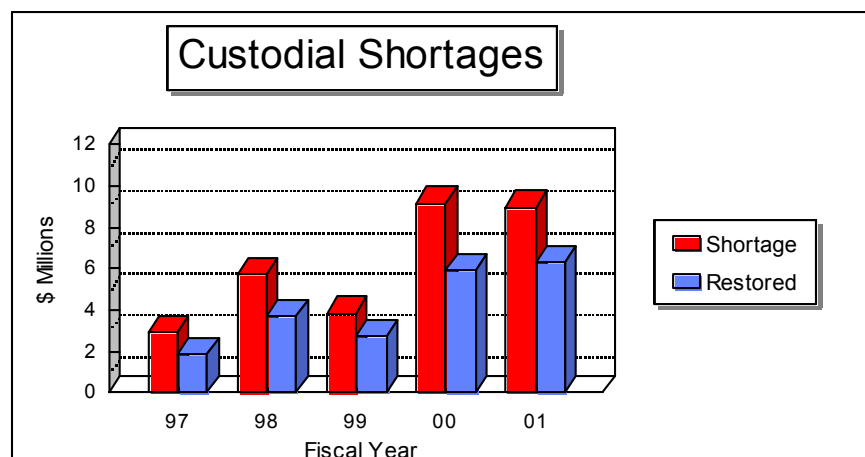


### Live Poultry Trust

In February 1988, the P&S Act was amended to include a statutory trust provision similar to the packer trust giving payment protection to live poultry growers and sellers. Since the 1988 amendments, live poultry producers have been paid \$7.5 million under the statutory trust provisions. The poultry trust payouts reflect claims for unpaid purchases of broilers, turkeys, and spent fowl.

### Custodial Shortages

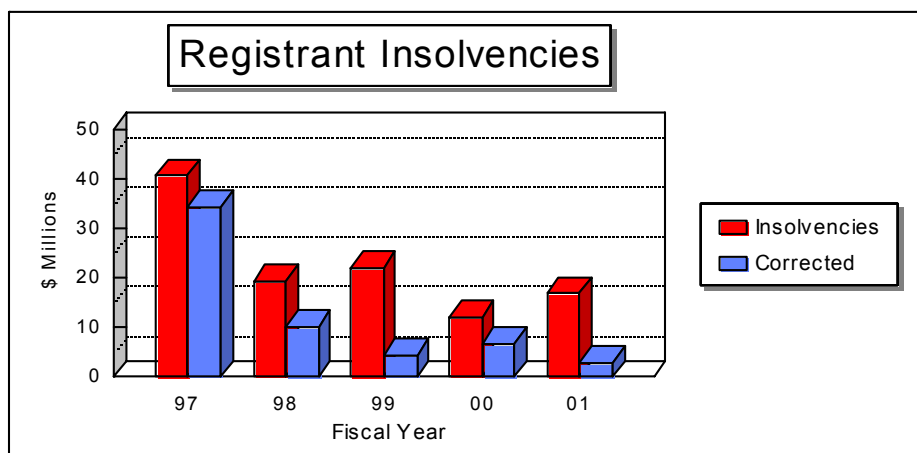
Market agencies that sell livestock on a commission basis are required to establish and maintain a separate bank account for the benefit of livestock sellers called a Custodial Account for Shipper's Proceeds. GIPSA receives biannual reports from the markets on these accounts as part of an ongoing compliance surveillance program. During FY 2001, onsite compliance reviews of 322 custodial accounts disclosed that 98 markets had shortages totaling \$7.2 million in their accounts. The compliance surveillance program resulted in the restoration by the markets of \$6.3 million to the custodial accounts.





## Solvency

Livestock dealers, market agencies, and packers are required to meet solvency requirements, a critical payment protection component of the P&S Act. In the past 5 fiscal years, 1,054 dealers and market agencies found to be insolvent either corrected or reduced their insolvencies by over \$58.5 million as a result of GIPSA compliance activities. Of the 1,054 dealers and market agencies, 430 completely corrected their insolvencies. During FY 2001, 165 insolvent dealers and market agencies corrected or reduced their insolvencies by \$2.9 million, and insolvent packers corrected or reduced their insolvencies by \$1.9 million.

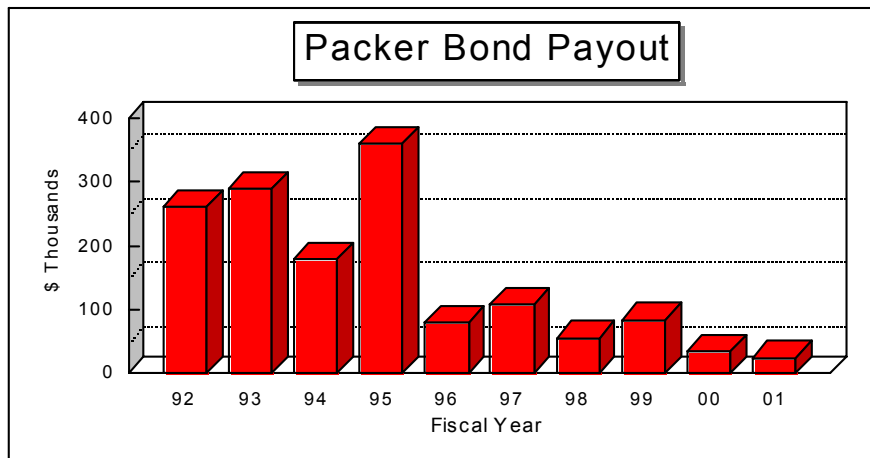


## Bonding

The P&S Act and regulations require that each market agency and dealer operating in commerce be registered. To comply, a firm must file an application with a surety bond or its equivalent. Each slaughtering packer must register its livestock buyers as dealers purchasing livestock for slaughter. Their livestock purchases are covered under the packer's bond. The following table shows the number of packers and registrants and the value of their bonds for the past 3 fiscal years.

	FY 99	FY 00	FY 01
Posted Stockyards	1,548	1,519	1,525
Market Agencies/Dealers	6,577	6,371	6,241
Packer Buyers	2,044	2,038	2,050
Value of Bonds (millions)	\$250	\$242	\$242

In FY 2001, 598 livestock sellers with claims of \$4.2 million were paid \$276,000 from registrant bonds. Claims of \$556,094, for which recovery from the bonds is expected, remain pending.



The 1976 amendments to the P&S Act added provisions requiring packers to be bonded, thereby establishing an additional means of payment protection for livestock sellers. A performance bond for payment of livestock is required of all slaughtering meat packers with annual livestock purchases exceeding \$500,000.

While the P&S Act protects livestock sellers, full and timely payment is not guaranteed. GIPSA does not have authority to order that payment be made, but can only ameliorate the risk by its presence and through enforcement of the P&S Act. The Agency investigates complaints of slow pay and failure to pay and is often instrumental in causing payment to be made to the seller. GIPSA also helps the seller file bond claims and packer trust claims when full payment is not received. GIPSA cannot, however, completely eliminate the payment risk inherent in the marketplace. Even so, the payment laws and regulations under the P&S Act promote an open and competitive livestock market unfettered by the risk of rampant and openly fraudulent payment practices.